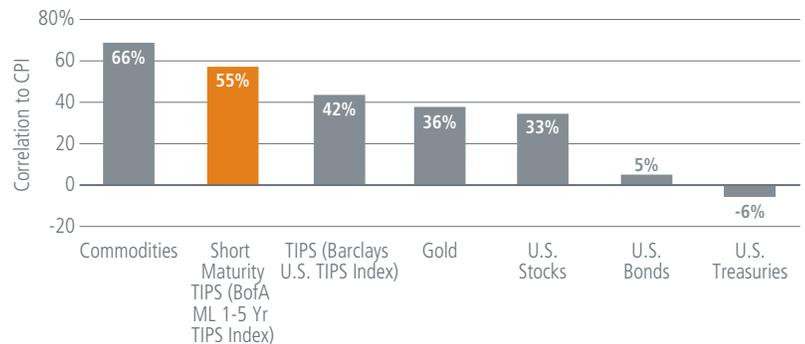


TIPS Maturity Matters – Components of Returns Vary by Maturity

Although Treasury Inflation-Protected Securities (TIPS) of all maturities accrue CPI directly to the bond principal, shorter maturity TIPS tend to correlate more strongly with changes in inflation. For longer maturity TIPS, the dominant component of returns in the short to intermediate time periods tends to be the level of real yields, as well as changes in real yields, and inflation accruals will likewise be somewhat “muted”.

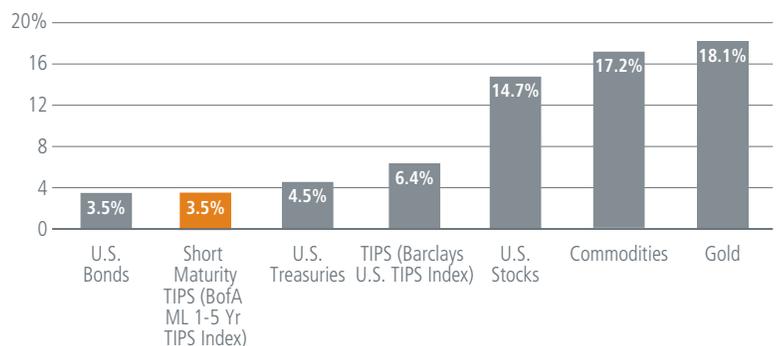
FIGURE 1: Short maturity TIPS exhibit higher correlation to changes in CPI versus a broad TIPS index¹



TIPS Maturity Matters – Volatility of Returns Vary by Maturity

Because the bulk of the current TIPS issuance is greater than 5 years maturity, the duration of the broad TIPS index is significant. As a result, a broad TIPS index may experience greater volatility in price levels relative to a short maturity TIPS index.

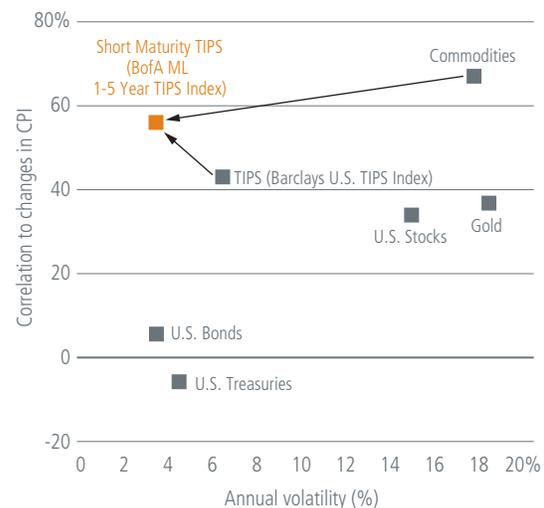
FIGURE 2: Short maturity TIPS exhibit lower volatility versus a broad TIPS index¹



Short Maturity TIPS – A Focused Alternative to the Broad TIPS Index

For investors looking for higher correlation to changes in CPI and lower volatility than a broad TIPS index, a short maturity TIPS index may be an attractive and targeted alternative to the broad TIPS index, as well as other financial asset classes.

FIGURE 3: Short maturity TIPS may improve correlation to changes in CPI while reducing volatility¹



	Barclays U.S. TIPS Index	BofA ML 1-5 Yr TIPS Index
FROM 31 JANUARY 2002 - 31 MARCH 2016		
Annualized return	5.56%	3.90%
Annual volatility	6.40%	3.51%
Correlation to inflation (CPI)	42%	55%
AS OF 31 MARCH 2016		
Real yield	0.32%	-0.66%
Real duration (years) ²	8.4	3.0
Average maturity (years)	9.0	3.0

SOURCE: Bloomberg, BofA Merrill Lynch, Barclays

²Real duration estimates the price sensitivity of TIPS to changes in real interest rates.

This table compares the broader Barclays U.S. TIPS Index to the shorter maturity BofA Merrill Lynch 1-5 Year TIPS Index demonstrating that the index has lower volatility, and higher correlation to changes in CPI.

Investors should consider the investment objectives, risks, charges and expenses of the funds carefully before investing. This and other information are contained in the fund's prospectus and summary prospectus, if available, which may be obtained by contacting your investment professional or PIMCO representative or by visiting www.pimco.com. Please read them carefully before you invest or send money.

A word about risk: Investing in the **bond market** is subject to risks, including market, interest rate, issuer, credit, inflation risk, and liquidity risk. The value of most bonds and bond strategies are impacted by changes in interest rates. Bonds and bond strategies with longer durations tend to be more sensitive and volatile than those with shorter durations; bond prices generally fall as interest rates rise, and the current low interest rate environment increases this risk. Current reductions in bond counterparty capacity may contribute to decreased market liquidity and increased price volatility. Bond investments may be worth more or less than the original cost when redeemed. Certain **U.S. Government securities** are backed by the full faith of the government, obligations of U.S. Government agencies and authorities are supported by varying degrees but are generally not backed by the full faith of the U.S. Government; portfolios that invest in such securities are not guaranteed and will fluctuate in value. **Inflation-linked bonds (ILBs)** issued by a government are fixed-income securities whose principal value is periodically adjusted according to the rate of inflation; ILBs decline in value when real interest rates rise. **Treasury Inflation-Protected Securities (TIPS)** are ILBs issued by the U.S. Government.

¹Sectors are represented by the following: Commodities – Dow Jones UBS Commodity Total Return Index is an unmanaged index composed of futures contracts on 19 physical commodities. The index is designed to be a highly liquid and diversified benchmark for commodities as an asset class. U.S. Stocks – S&P 500 Index is an unmanaged market index generally considered representative of the stock market as a whole. The index focuses on the Large-Cap segment of the U.S. equities market. U.S. Bonds – Barclays U.S. Aggregate Index represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. These major sectors are subdivided into more specific indices that are calculated and reported on a regular basis. U.S. Treasuries – Barclays U.S. Treasury Index is a measure of the public obligations of the U.S. Treasury. The Barclays U.S. TIPS Index is an unmanaged market index comprised of all U.S. Treasury Inflation Protected Securities rated investment grade (Baa3 or better), have at least one year to final maturity, and at least \$250 million par amount outstanding. The BofA Merrill Lynch 1-5 Year US Inflation-Linked Treasury IndexSM is an unmanaged index comprised of U.S. Treasury Inflation Protected Securities with at least \$1 billion in outstanding face value and a remaining term to final maturity of at least 1 year and less than 5 years. Gold (London PM Fix) - The London Gold Market Fixing LTD PM Fix Price/USD is a published benchmark that is used as a pricing medium for the purchase of gold. The price fix occurs twice daily; at 10:30 am and 3:00 pm. It is not possible to invest directly in an unmanaged index.

Unless otherwise noted, statistical data is represented from 31 January 2002 to 31 March 2016.

Correlation is a statistical measure of how two securities move in relation to each other. The correlation of various indices or securities against one another or against inflation is based upon data over a certain time period. These correlations may vary substantially in the future or over different time periods that can result in greater volatility. Duration is the measure of a bond's price sensitivity to interest rates and is expressed in years. ©Copyright 2016 BofA Merrill Lynch, Pierce, Fenner & Smith Incorporated ("BofA Merrill Lynch"). All rights reserved. "BofA Merrill Lynch" and "The BofA Merrill Lynch, 1-5 Year US Inflation-Linked Treasury IndexSM" are service marks of BofA Merrill Lynch and/or its affiliates and have been licensed for use for certain purposes by PIMCO on behalf of the PIMCO 1-5 Year U.S. TIPS Index Fund that is based on The BofA Merrill Lynch 1-5 Year US Inflation-Linked Treasury IndexSM, and is not issued, sponsored, endorsed or promoted by BofA Merrill Lynch and/or BofA Merrill Lynch's affiliates nor is BofA Merrill Lynch and/or BofA Merrill Lynch's affiliates an adviser to the PIMCO 1-5 Year U.S. TIPS Index Fund. BofA Merrill Lynch and BofA Merrill Lynch's affiliates make no representation, express or implied, regarding the advisability of investing in the PIMCO 1-5 Year U.S. TIPS Index Fund or the BofA Merrill Lynch 1-5 Year US Inflation-Linked Treasury IndexSM and do not guarantee the quality, accuracy, timeliness or completeness of The BofA Merrill Lynch 1-5 Year US Inflation-Linked Treasury IndexSM, Index Values or any Index related data included herein, provided herewith or derived therefrom and assume no liability in connection with their use. As the Index Provider, BofA Merrill Lynch is licensing certain trademarks, The BofA Merrill Lynch 1-5 Year US Inflation-Linked Treasury IndexSM and trade names which are composed by BofA Merrill Lynch without regard to PIMCO, the PIMCO 1-5 Year U.S. TIPS Index Fund or any investor. BofA Merrill Lynch and BofA Merrill Lynch's affiliates do not provide investment advice to PIMCO or the PIMCO 1-5 Year U.S. TIPS Index Fund and are not responsible for the performance of the PIMCO 1-5 Year U.S. TIPS Index Fund.

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